

Instrument prepared by:

VIRGINIA GAS AND OIL BOARD

Order recorded under:

**CODE OF VIRGINIA
§ 45.1-361.26**

VIRGINIA:

BEFORE THE GAS AND OIL BOARD

APPLICANTS:

CNX Gas Company LLC on behalf of Hurt
McGuire Land Trust and Winfred "Mack"
Osborne in Tract 4G.

DOCKET NO.

98-0324-0638-05

RELIEF SOUGHT:

Issuance: A Supplemental Order for Disbursement of Escrowed Funds
Action: Amending Prior Orders Affecting Drilling V-36,
Tract 4G.
(Referenced herein as "the Subject Drilling Unit")

Location: Buchanan County, Virginia

Action Details:

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit V-36 by Tract Subaccounts;
- (2) To provide each applicant, in simple terms, a complete month over month Royalty Accounting of unit production, costs, taxes and proceeds, depicting variables used in the calculation of royalty payments to the unit escrow account.
- (3) To disburse unit funds to the Applicants, in accordance with their Unit Ownership Interests relative to those funds deposited by the Unit Operator into Subject Drilling

REPORT OF THE BOARD

FINDINGS AND ORDER

1. **Hearing Date and Place:** This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on March 15, 2011 at the Russell County Government Complex, Conference Center, and 139 Highland Drive, Lebanon, VA.
2. **Appearances:** Mark A. Swartz, Esq. Swartz Law Offices PLLC appeared for the Unit Operator; and Sharon M.B. Pigeon, Senior Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract subaccounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract subaccounts. The Board finds that: (1) while it **does not** have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it **does not** have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, **the Board does have jurisdiction and authority to disburse funds from the Escrow Account** provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein.

4. **Prior Proceedings:**

- 4.1. (a) On June 10, 1998, the Board executed its order pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Buchanan County on June 5, 1998 in Deed Book 477 at Page 104. On April 2, 1999 the Board executed its Supplemental Order Regarding Elections which was filed with the Clerk in Deed Book 490 at Page 1 (hereafter all orders are collectively referred to as the "Pooling Orders").
- (b) On October 18, 2005, the Board executed its disbursement order VGOB 98-0324-0625-01 in the Subject Drilling Unit. The Order was recorded with the Clerk of the Circuit Court of Buchanan County on February 7, 2007, Instrument Number 060000407.
- (c) On October 18, 2005, the Board executed its disbursement order VGOB 98-0324-0625-02 in the Subject Drilling Unit. The Order was recorded with the Clerk of the Circuit Court of Buchanan County on October 29, 2007, Instrument Number 070004028.
- (d) On March 16, 2010 the Board executed its disbursement order VGOB 98-0324-0625-03 in the Subject Drilling Unit. The Order was recorded with the Clerk of the Circuit Court of Buchanan County on May 26, 2010, Instrument Number 100001390.
- (e) On January 18, 2011 the Board approved and on March 4, 2011 executed its disbursement order VGOB 98-0324-0625-04 in the Subject Drilling Unit. The Order was recorded with the Clerk of the Circuit Court of Buchanan County on March 22, 2011, Instrument Number 110000689.
- 4.1 To the extent claims to the gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony, the coal estate ownership interests of Hurt McGuire Land Trust and the gas ownership interests of Winfred "Mack" Osborne in Tract 4G in the Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.2 The Unit Operator's Miscellaneous Petition regarding a portion of tract 4G, a copy of which is attached to and made a part hereof, states under oath that Hurt McGuire Land Trust and the Applicants have entered into an agreement with regards to Tract 4G and that by the terms of the agreements escrow regarding these individual conflicting claims detailed herein is no longer required for these parties.
- 4.3 The Unit Operator gave notice to Hurt McGuire Land Trust and the applicants that the Board would consider its disbursement authorization at its hearing on March 15, 2011 and consider whether to: (1) amend the Pooling Order to provide for the disbursement of funds on deposit in the Escrow Account attributable to Tract 4G identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to Tract 4G, the interests of Applicants identified in the miscellaneous petition, in the Escrow Account, and (3) continue the escrow account under this docket number because there are other parties under this order subject to continued payments in the escrow.
- 4.4 The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. **Findings:**

5.1. Va. Code 45.1-361.22.5 provides:

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts

for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

5.2 Applicant has certified and represented to the Board that:

- (1) Hurt McGuire Land Trust and Winfred "Mack" Osborne are the owners of the coal and gas acreage estate underlying a portion of VGOB Tract 4G of the Subject Drilling Unit;
- (2) Net interests attributable and to be disbursed to Applicants are shown in Table 1,

VGOB Approved Disbursement
VGOB-98-0324-0638-05
V-36

			Frac Interest	Acreage Interest Disbursed	Split Agreement	Escrowed Acres Total	% of Escrowed Funds
		Table 1					
Item	Tract	Disbursement Table					
		Totals				28.51000	
		Hurt McGuire Land Trust	1.35				
1	4G	Hurt McGuire Land Trust C/o Charles Green / PO Box 1067 / Bluefield, VA 24605	1.00	1.3500	50.0%	0.675	2.3676%
2	4G	Winfred "Mack" Osborne / 3375 Osborne Mountain Road / Raven, VA 24639	1.00	1.3500	50.0%	0.675	2.3676%

6. **Relief Granted:**

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting and Table 1 above, the Escrow Agent is ordered to, within 10 days of receipt of this executed order to disburse funds for the unit and applicants detailed in Table 1 above.

Exhibit E to the Pooling Order, showing owners subject to escrow, is deleted and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of those applicants indicated in Table 1 be deposited by the Unit Operator into the Escrow Account, **and**, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

7. **Conclusion:**

Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and **IT IS SO ORDERED.**

8. **Appeals:**

Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

Exhibit A-1
Tract-by-Tract Escrow Calculation
Account Balances as of 12/31/2010

Unit V-36
VGOB 98-0324-0638-05
Acres Escrowed: 28.510000

Owners	Tract #	Acres	Owner Acres	Owners' Percent of Escrow (50%)	Amount Due Owners	Comments
Hurt McGuire - Coal	4G	1.35	4.7352%	2.3676%	\$8,441.15	\$32,182.35 subtracted from the total. Docket 98-0324-0638-04 is pending payout from previous hearing.
Winfred "Mack" Osborne- O&G				2.3676%	\$8,441.15	Attorney for Winfred Osborne, Peter Glubiak, asked the Board to exclude this tract from the Disbursement, pending Legislative Decision. Board approved 3/16/10.
A Non-Suit Order was recorded 10/25/2010. Civil Action No. : CL10000358-00.						

Wells contributing to the escrow account:

V36 & V36A

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this _____ day of _____, 2011 by a majority of the Virginia Gas and Oil Board.

Bradley C. Lambert, Chairman
Virginia Gas and Oil Board

DONE AND PERFORMED this _____ day of _____, 2011 by an Order of this Board.

David E. Asbury Jr.,
Principal Executive to the Staff
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA)
COUNTY OF RUSSELL)

Acknowledged on this _____ day of _____, 2011, personally before me a notary public in and for the Commonwealth of Virginia, appeared **Bradley C. Lambert**, being duly sworn did depose and say that he is the Chairman of the Virginia Gas and Oil Board and **David E. Asbury Jr.**, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis
Notary Public #174394

My commission expires: 09 / 30 / 2013

Denied
4/26/11

BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET NO: VGOB 98-0324-0638-05

RELIEF SOUGHT: (1) DISBURSEMENT FROM
ESCROW REGARDING TRACT(S) 4G
(Royalties currently being paid under
BUC1SGU2, VGOB 08-1118-2367)

HEARING DATE: March 15, 2011

DRILLING UNIT: V36

BUCHANAN COUNTY, VIRGINIA



MISCELLANEOUS PETITION

1. **Petitioner and its counsel:** Petitioner is CNX Gas Company LLC, 2481 John Nash Boulevard, Bluefield, West Virginia 24701, 304/323-6500. Petitioner's counsel is Mark A. Swartz, **SWARTZ LAW OFFICES, PLLC.**, 601 Sixth Avenue, Suite 201, P.O. Box 1808, St. Albans, WV 25177-1808.

2. **Relief sought:** (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to Tract(s) 4G as depicted upon the annexed Exhibit A-1. **(Royalties currently being paid under BUC1SGU2, VGOB 08-1118-2367)**

3. **Legal Authority:** Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

4. **Type of well(s):** Coalbed methane.

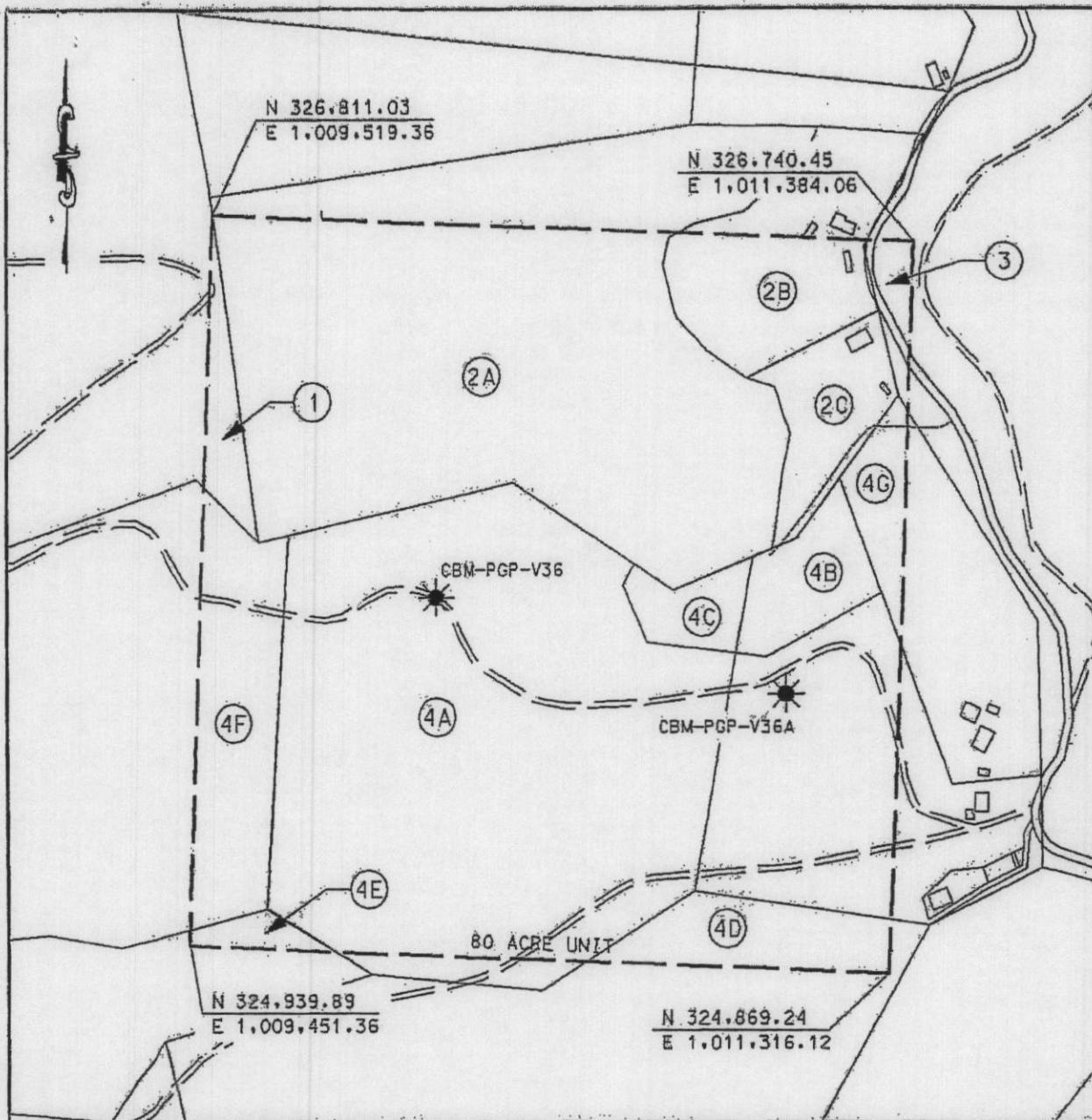
5. **Factual basis for relief requested:** Hurt McGuire Land Trust and Winfred "Mack" Osborne have entered into a royalty split agreement. The Annexed Exhibit A-1, specifies how said royalties are to be divided and paid.

6. **Attestation:** The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC
BY ITS PROFESSIONAL MANAGER
CNX GAS COMPANY LLC, PETITIONER

By: _____

Anita D. Duty
Pooling Supervisor
CNX Land Resources, Inc.
2481 John Nash Blvd.
Bluefield, West Virginia 24701



LEGEND

← TRACT LAND HOOK

[2] TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT V-36
FORCE POOLING
VGOB-98-0324-0639

Company Pocahontas Gas Partnership Well Name and Number UNIT V36
Tract No. _____ Elevation _____ Quadrangle Kean Mountain
County Buchanan District Garden Scale: 1" = 400' Date 2/4/98
This plat is a new plat X ; an updated plat _____ ; or a final plat _____

Form D60-G0-7
Rev. 9/91

Charles D. Morgan
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

POCAHONTAS GAS PARTNERSHIP

UNIT V-36

Tract Identifications

1. Alpha Stickley Heirs, et al. - Coal, Oil & Gas
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Jewell Smokeless Coal Corp. - Surface
Buchanan Production Company - CBM Lessee
1.21 acres 1.51250%

- 2A. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Trustees Wilderness Tabernacle Church - Surface, Oil & Gas
23.86 acres 29.82500%

- 2B. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Paul E. Stillwell - Surface, Oil & Gas
3.50 acres 4.37500%

- 2C. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Roley Stillwell - Surface, Oil & Gas
2.57 acres 3.21250%

3. Coal Mountain Mining Company Tr 26 - Fee
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
United Coal Company
Pocahontas Gas Partnership - CBM Lessee
Consolidation Coal Company - Oil & Gas Lessee
0.74 acres 0.92500%

POCAHONTAS GAS PARTNERSHIP

UNIT V-36

Tract Identifications

- 4A. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Pocahontas Gas Partnership - Surface, Oil & Gas
35.29 acres 44.11250%
- 4B. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Trustees Wilderness Tabernacle Church - Surface, Oil & Gas
2.08 acres 2.60000%
- 4C. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Trustees Wilderness Tabernacle Church - Surface, Oil & Gas
1.22 acres 1.52500%
- 4D. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Consolidation Coal Company - Surface, Oil & Gas
2.54 acres 3.17500%
- 4E. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Guster Clifton - Surface, Oil & Gas
0.55 acres 0.68750%
- 4F. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Curtis T. Davis - Surface, Oil & Gas
5.09 acres 6.36250%

POCAHONTAS GAS PARTNERSHIP

UNIT V-36

Tract Identifications

4G. Hurt McGuire Heirs - Coal
Coal Lessees
Island Creek Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Mack Osborne - Surface, Oil & Gas
1.35 acres 1.68750%

Exhibit E
Unit V-36
VGOB# 98-0324-0638-05
List of Conflicting Owners/Claimants that require escrow

		Acres in Unit	Percent of Unit	Division of Interest in	
				1-Right 17.9594%	2-Right 4.3466%
<u>Tract #2A, 23.86 acres</u>					
<u>COAL OWNERSHIP</u>					
(1)	Hurt McGuire c/o Charles Green P.O. Box 1067 Bluefield, VA 24605	23.86 acres	29.8250%	5.35639%	1.29637%
<u>OIL & GAS OWNERSHIP</u>					
(1)	Trustee of Wilderness Tabernacle 4656 Osborne Mountain Rd. Raven, VA 24639	23.86 acres	29.8250%	5.35639%	1.29637%
<u>Tract #4B, 2.08 acres</u>					
<u>COAL OWNERSHIP</u>					
(1)	Hurt McGuire c/o Charles Green P.O. Box 1067 Bluefield, VA 24605	2.08 acres	2.6000%	0.46694%	0.11301%
<u>OIL & GAS OWNERSHIP</u>					
(1)	Trustee of Wilderness Tabernacle 4656 Osborne Mountain Rd. Raven, VA 24639	2.08 acres	2.6000%	0.46694%	0.11301%
<u>Tract #4C, 1.22 acres</u>					
<u>COAL OWNERSHIP</u>					
(1)	Hurt McGuire c/o Charles Green P.O. Box 1067 Bluefield, VA 24605	1.22 acres	1.5250%	0.27388%	0.06629%
<u>OIL & GAS OWNERSHIP</u>					
(1)	Trustee of Wilderness Tabernacle 4656 Osborne Mountain Rd. Raven, VA 24639	1.22 acres	1.5250%	0.27388%	0.06629%

Exhibit EE
Unit V-36
Docket #VGOB-98-0324-0638-05
List of Conflicting Owners/Claimants that require escrow

	Acres in Unit	Percent of Unit	Division of Interest in		Percent of Escrow
			1 Right 17.9594%	2 Right 4.3466%	
<u>Tract #2B, 3.50 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) Hurt McGuire Land Trust c/o Charles Green, Trustee PO Box 1067 Bluefield, VA 24605-4067	3.50 acres	4.3750%	0.78572%	0.19016%	n/a
<u>OIL & GAS OWNERSHIP</u>					
(1) Virginia Stilwell (Widow) 1106 Dial Road Raven, VA 24639 (previously Paul Stilwell)	3.50 acres	4.3750%	0.78572%	0.19016%	n/a
<u>Tract #2C, 2.57 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) Hurt McGuire Land Trust c/o Charles Green, Trustee PO Box 1067 Bluefield, VA 24605-4067	2.57 acres	3.2125%	0.57695%	0.13963%	n/a
<u>OIL & GAS OWNERSHIP</u>					
(1) Martha J. Stilwell (widow) P. O. Box 54 Raven, VA 24639 (Previously Roley Stilwell)	2.57 acres	3.2125%	0.57695%	0.13963%	n/a
<i>Martha J. Stilwell sold the property to Wilderness Tabernacle 8/2/07. She signed a royalty split agreement with Hurt McGuire Land Trust on 10/11/04 and is entitled to her 50% of the money in Escrow until the date she sold. The remaining 50% of the royalties will go to Wilderness Tabernacle after 8/2/07 due to the fact that the Royalty Split was signed prior to the property being sold.</i>					
<i>At the March 16, 2010 hearing, Peter Glubiak objected to the disbursement of this tract due to pending litigation. Martha J. Stilwell is not his client.</i>					
(1) Trustee of Wilderness Tabernacle 4656 Osborne Mountain Rd. Raven, VA 24639	2.57 acres	3.2125%	0.57695%	0.13963%	n/a
<u>Tract #4A, 35.29 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) Hurt McGuire Land Trust c/o Charles Green, Trustee PO Box 1067 Bluefield, VA 24605-4067	35.29 acres	44.1125%	7.92234%	1.91739%	n/a
<u>OIL & GAS OWNERSHIP</u>					
(1) CNX Gas Company LLC 2481 John Nash Blvd. Bluefield, WV 24701 (Pocahontas Gas Partnership)	35.29 acres	44.1125%	7.92234%	1.91739%	n/a

Exhibit EE
Unit V-36
Docket #VGOB-98-0324-0638-05
List of Conflicting Owners/Claimants that require escrow

	Acres in Unit	Percent of Unit	Division of Interest in		Percent of Escrow
			1 Right 17.9594%	2 Right 4.3466%	
<u>Tract #4D, 2.54 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) Hurt McGuire Land Trust c/o Charles Green, Trustee PO Box 1067 Bluefield, VA 24605-4067	2.54 acres	3.1750%	0.57021%	0.13800%	n/a
<u>OIL & GAS OWNERSHIP</u>					
(1) CNX Gas Company LLC 2481 John Nash Blvd. Bluefield, WV 24701 (Consolidation Coal Company)	2.54 acres	3.1750%	0.57021%	0.13800%	n/a
<u>Tract #4E, 0.55 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) Hurt McGuire Land Trust c/o Charles Green, Trustee PO Box 1067 Bluefield, VA 24605-4067	0.55 acres	0.6875%	0.12347%	0.02988%	n/a
<u>OIL & GAS OWNERSHIP</u>					
(1) Guster Clifton 1303 John Clifton Rd. Raven, VA 24639	0.55 acres	0.6875%	0.12347%	0.02988%	n/a
<u>Tract #4G, 1.35 acres</u>					
<u>COAL OWNERSHIP</u>					
(1) Hurt McGuire Land Trust c/o Charles Green, Trustee PO Box 1067 Bluefield, VA 24605-4067	1.35 acres	1.6875%	0.30306%	0.07335%	2.3676%
<u>OIL & GAS OWNERSHIP</u>					
(1) Winfred "Mack" Osborne 3375 Osborne Mountain Road Raven, VA 24639	1.35 acres	1.6875%	0.30306%	0.07335%	2.3676%

At the March 16, 2010 hearing, Peter Glubiak, attorney for Winifred Mack Osborne objected to the disbursement of this tract due to pending litigation.

Non-Suit Order recorded 10/25/2010, Civil Action No.: CL10000358-00.